

Al Rajhi Bank

Sector : Banking

- 4Q25 operating income rose 19% YoY, exceeding our estimates by 6%, driven by strong growth in NII (+17%), and non-interest income, (+25%). For 2025, the operating income rose by 22% YoY.
- 4Q25 net income grew 16% YoY, beating our estimates by 6%, supported by higher operating profits. For 2025, the net income increased by 26% YoY
- Net loans and deposits grew 9% and 2% YoY, respectively. Management has guided for a conservative low to mid-single digit loan growth in 2026.
- We maintain our target price of SAR 110/share and a HOLD rating, despite earnings beat, due to stretched valuations.

ARB's 4Q25 operating income rose 19% YoY, supported by higher NII and non-interest income. The 17% YoY increase in NII was driven by a combination of volume growth as well as NIM expansion by 8bps to 3.35%. Management has guided for a NIM expansion of 25–35bps in 2026. Non-interest income grew 25% YoY, driven mainly by a 21% YoY increase in core net fee and commission income, alongside solid growth in exchange income and other operating income. The share of non-interest income to total income increased to 22% in 4Q25 (vs. 21% in 4Q24). Operating expenses rose 31% YoY, outpacing revenue growth and limiting operating profit expansion to 15% YoY. The cost-to-income ratio increased 231bps YoY to 25.7% in 4Q25, primarily due to higher IT expenses. For 2025, operating income rose 22% YoY, while the CI ratio improved by 151bps to 23.3%. Management expects the CI ratio to remain below 23% in 2026, broadly in line with 2025 levels.

Impairments increased 13.3% YoY in 4Q25, resulting in net income before tax growth of 16% YoY. For 2025, provisions rose 10% YoY, driven by an 88% YoY increase in retail impairments, partially offset by a 59% decline in non-retail impairments. The cost of risk stood at 0.32% in 2025, near the lower end of management's guidance range (0.30-0.40%) and broadly flat YoY. Management has maintained similar guidance for 2026. The 6% earnings beat in 4Q25 was primarily driven by stronger operating profit flowing through to the bottom line. 2025 net income reached SAR 24.8bn, reflecting robust growth of 26% YoY.

Net loans increased 9% YoY, while deposits grew a modest 2% YoY. On a sequential basis, loans declined marginally by 0.4% QoQ, while deposits (post-restatement) fell 4% QoQ. Loan growth in 2025 was driven by corporates, SMEs, and mortgages. Mortgages increased by SAR 18.5bn during the year, of which SAR 10.0bn was securitized. At year-end, mortgages accounted for 57% of the retail book and 36% of the total loan book. Asset quality remained stable, with NPLs at 0.75% (retail: 0.40%; non-retail: 1.37%). Time deposits were the main contributor to deposit growth, while CASA balances declined following the migration of a large account to time deposits in 1Q25.

Valuation: ARB's operating performance exceeded our expectations, and management has largely maintained its 2026 guidance in line with 2025, except for slower loan growth. However, the stock remains expensive at 15.5x 2026E P/E and 3.2x P/B, limiting upside potential. We therefore reiterate our HOLD rating with a target price of SAR 110/share.

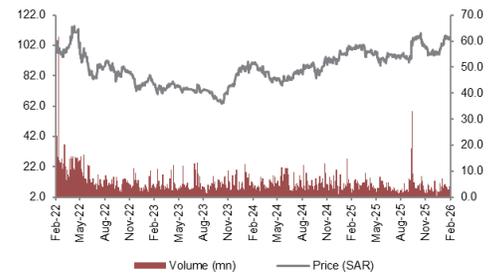
HOLD

17 February 2026

Target price (SAR) **110.0**

Current price (SAR) **105.7**

Return **4.1%**



Exchange Saudi Arabia
Index weight (%) 15.3%

(mn)	SAR	USD
Market Cap	422,800	112,738
Total Assets	1,043,268	278,183

Major shareholders

Al Rajhi Abdullah	2.18%
Vanguard Group Inc/T	2.13%
Blackrock Inc	1.64%
Others	94.05%

Valuation Summary (TTM)

Price (SAR)	105.70
PER TTM (x)	18.1
P/Book (x)	3.7
Dividend Yield (%)	2.4
Free Float (%)	94%
Shares O/S (mn)	4,000
YTD Return (%)	8%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	3.95	4.67	5.85
BVPS (SAR)	22.56	24.87	28.71
DPS (SAR)	2.30	2.40	2.21
Payout ratio (%)	58%	51%	38%

Price performance (%)	1M	3M	12M
Al Rajhi Bank	4%	5%	6%
Tadawul All Share Index	3%	1%	-10%

52 week	High	Low	CTL*
Price (SAR)	113.00	87.80	20.4

* CTL is % change in CMP to 52wk low

in SAR mn	4Q25	3Q25	QoQ (%)	4Q24	YoY (%)	2025	2024	YoY (%)
Operating Income	10,409	9,882	5.3%	8,750	19.0%	39,094	32,055	22.0%
Operating Expenses	-2,679	-2,216	20.9%	-2,050	30.7%	-9,127	-7,971	14.5%
Operating Profit	7,730	7,665	0.8%	6,700	15.4%	29,967	24,085	24.4%
Provision Expenses	-626	-570	9.8%	-553	13.3%	-2,320	-2,117	9.6%
Profit before tax	7,104	7,096	0.1%	6,147	15.6%	27,646	21,968	25.8%
Zakat & Tax	-717	-729	-1.7%	-626	14.5%	-2,822	-2,237	26.2%
Profit after tax	6,387	6,366	0.3%	5,521	15.7%	24,825	19,731	25.8%
Profit attributable to Equity holders	6,375	6,360	0.2%	5,516	15.6%	24,792	19,722	25.7%
Loan Book	752,760	755,985	-0.4%	693,410	8.6%	752,760	693,410	8.6%
Deposits	667,288	693,905	-3.8%	654,989	1.9%	667,288	654,989	1.9%
Total Equity (Excl tier 1 bond)	115,004	108,901	5.6%	99,585	15.5%	115,004	99,585	15.5%
Cost to Income ratio	25.7%	22.4%		23.4%		23.3%	24.9%	
NPL Ratio	0.75%	0.76%		0.76%		0.75%	0.76%	
Net Loan to deposits	112.8%	108.9%		105.9%		112.8%	105.9%	



Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net income from loans and investment	21,269	24,843	29,846	32,988	37,047	38,550	40,742
Net fee income	4,226	4,693	5,869	6,076	6,410	7,332	7,695
Other income	2,037	2,520	3,379	3,430	3,490	3,552	3,615
Total income	27,531	32,055	39,094	42,494	46,947	49,434	52,052
Operating expenses	-7,498	-7,971	-9,127	-9,238	-9,636	-9,984	-10,118
Profit before impairments	20,033	24,085	29,967	33,256	37,312	39,450	41,934
Impairments	-1,504	-2,117	-2,320	-2,827	-3,223	-3,681	-4,334
Profit before tax	18,529	21,968	27,646	30,429	34,089	35,769	37,600
Tax	-1,908	-2,237	-2,822	-3,195	-3,579	-3,756	-3,948
Profit after tax	16,621	19,731	24,825	27,234	30,509	32,014	33,652

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	41,768	53,245	54,005	65,656	80,256	96,111	113,085
Due to financial institutions	9,507	19,530	26,941	28,744	30,214	31,495	32,852
Investments - Net	133,376	175,034	174,305	185,972	195,482	203,771	212,553
Financing - Net	594,205	693,410	752,760	801,721	841,019	874,695	910,041
PP&E and right to use assets	12,853	15,275	15,740	13,320	11,273	9,540	8,073
Other assets	16,391	15,952	19,518	20,935	21,832	22,226	22,929
Total Assets	808,098	972,444	1,043,268	1,116,349	1,180,076	1,237,838	1,299,533
Liabilities and Equity							
Liabilities							
Due to banks and other FI	97,247	117,677	117,284	117,482	114,909	110,532	105,618
Customer deposits	573,101	654,989	667,288	721,476	768,376	811,387	857,240
Other liabilities	30,991	76,639	115,785	118,876	120,796	121,582	123,060
Total liabilities	701,339	849,305	900,356	957,834	1,004,081	1,043,502	1,085,917
Equity							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	50,259	59,479	74,854	90,421	107,860	126,159	145,395
Total shareholders' equity	90,259	99,479	114,854	130,421	147,860	166,159	185,395
Tier 1 Sukuk	16,500	23,554	27,908	27,908	27,908	27,908	27,908
Total Equity	106,759	123,139	142,912	158,515	175,995	194,336	213,616
Total liabilities and equity	808,098	972,444	1,043,268	1,116,349	1,180,076	1,237,838	1,299,533

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	27,423	33,651	(22,373)	20,305	25,235	27,461	29,146
Cash from investments	(34,300)	(41,743)	(1,564)	(170)	(170)	(170)	(170)
Cash from financing	(6,886)	19,756	36,302	(11,631)	(13,030)	(13,672)	(14,372)
Net changes in cash	(13,764)	11,665	12,365	8,504	12,035	13,619	14,604
Cash balance	12,436	24,100	36,465	44,969	57,003	70,622	85,226



Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance							
NIM	2.9%	2.9%	3.2%	3.4%	3.6%	3.6%	3.6%
NII to total income	77.3%	77.5%	76.3%	77.6%	78.9%	78.0%	78.3%
Fee income to total income	15.3%	14.6%	15.0%	14.3%	13.7%	14.8%	14.8%
Other income to total income	7.4%	7.9%	8.6%	8.1%	7.4%	7.2%	6.9%
Cost to income ratio	27.2%	24.9%	23.3%	21.7%	20.5%	20.2%	19.4%
Liquidity							
Deposits to total funding	73.4%	70.2%	66.2%	67.0%	67.5%	67.8%	68.2%
Market funds to total funding	15.1%	19.1%	22.3%	20.9%	19.5%	18.3%	17.0%
Loans to deposits	103.7%	105.9%	112.8%	111.1%	109.5%	107.8%	106.2%
Investments and cash to total assets	21.7%	23.5%	21.9%	22.5%	23.4%	24.2%	25.1%
Asset quality							
Cost of risk	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%
NPL	0.7%	0.8%	0.7%	0.9%	1.0%	1.1%	1.2%
NPL coverage	203.0%	159.4%	152.5%	154.5%	158.9%	164.9%	171.8%
Stage 1 ratio	96.5%	96.9%	96.9%	96.8%	96.8%	96.8%	96.7%
Stage 2 ratio	2.3%	2.0%	2.1%	2.0%	1.9%	1.8%	1.7%
Stage 3 ratio	1.2%	1.1%	1.0%	1.1%	1.3%	1.4%	1.5%
Stage 1 coverage	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	12.2%	12.0%	10.6%	10.5%	10.6%	10.7%	10.7%
Stage 3 coverage	60.4%	54.8%	55.5%	65.2%	74.9%	84.7%	94.5%
Impairment coverage	13.3	11.4	12.9	11.8	11.6	10.7	9.7
Provisions to gross loans	1.4%	1.2%	1.1%	1.3%	1.5%	1.7%	2.0%
Capital adequacy							
Equity to total assets	11.2%	10.2%	11.0%	11.7%	12.5%	13.4%	14.3%
Tier 1	20.4%	19.3%	20.5%	21.3%	22.4%	23.7%	24.8%
Core Tier 1	17.2%	15.4%	16.3%	17.4%	18.8%	20.2%	21.5%
Total capital	21.5%	20.2%	21.9%	22.6%	23.7%	24.8%	25.9%
Return ratios							
ROA	2.1%	2.0%	2.4%	2.4%	2.6%	2.6%	2.6%
ROE	18.4%	19.8%	21.6%	20.9%	20.6%	19.3%	18.2%
Return on RWA	3.2%	3.2%	3.7%	3.8%	4.0%	4.0%	4.0%
Per share ratios							
EPS	4.2	4.9	6.2	6.8	7.6	8.0	8.4
BVPS	22.6	24.9	28.7	32.6	37.0	41.5	46.3
DPS	2.3	2.7	2.5	2.9	3.3	3.4	3.6
Valuation							
M.Cap (SAR mn)	348,000	378,400	390,000	422,800	422,800	422,800	422,800
P/E	20.9	19.2	15.7	15.5	13.9	13.2	12.6
P/BV	3.9	3.8	3.4	3.2	2.9	2.5	2.3
Div. yield	2.6%	2.9%	2.6%	2.8%	3.1%	3.2%	3.4%

Key contacts

Research Team

Joice Mathew Sr. Manager - Research E-Mail: joice@usoman.com Tel: +968 2476 3311	Manna Thomas ACCA Research Associate Email: manna.t@usoman.com Tel: +968 2476 3347	Contact Address P. O Box: 2566; P C 112 Sultanate of Oman Tel: +968 2476 3300
---	---	--

Rating Criteria and Definitions

Rating	Rating Definitions
	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.